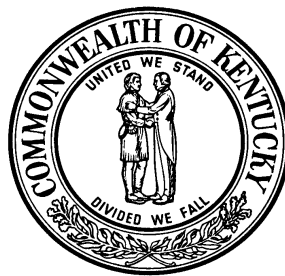


**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
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EXECUTIVE SUMMARY
AUDIT OF THE
FAYETTE COUNTY SHERIFF

For The Year Ended
December 31, 2014

The Auditor of Public Accounts has completed the Fayette County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statements present fairly, in all material respects, the receipts, and disbursements of the Sheriff and the receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Fayette County Sheriff had total receipts of \$8,671,985, which was a \$892,253 increase from the prior year. Except for reimbursed expenses in the amount of \$4,624,469, the Sheriff paid 25% of receipts to the Lexington-Fayette Urban County Government in the amount of \$1,018,488. This was a decrease of \$6,565 from the prior year. In addition, 75% disbursements increased by \$1,836,947.

Lease Agreements:

The Sheriff's office is committed to a lease agreement for hardware. The outstanding balance as of December 31, 2014 was \$12,150.

The Sheriff's office is committed to a lease agreement for software. The outstanding balance as of December 31, 2014 was \$8,100.

The Sheriff's office is committed to a lease agreement for tower rental. The outstanding balance as of December 31, 2014 was \$1,200.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....	5
NOTES TO THE FINANCIAL STATEMENTS	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Fayette County Sheriff and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the Receipts and Disbursements of the Sheriff and the Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of the Fayette County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fayette County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

December 10, 2015

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

Federal Grants		\$ 153,666	
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		128,399	
State Fees For Services		551,022	
State - HB 452 Funds		193,754	
Circuit Court Clerk:		11,983	
County Clerk - Delinquent Taxes		47,265	
Commission on Taxes		6,369,190	
Fees Collected for Services:			
Auto Inspections	\$ 71,540		
Serving Papers	153,264		
Carry Concealed Deadly Weapon Permits	54,180		
Sheriff Sale Fees	<u>165</u>	279,149	
Other:			
Add-On Fees	458,516		
Delinquent Tax Fees 75%	310,581		
NSF Fees	2,640		
Copies of E-Services	261		
CCDW Photo	13,656		
Jury Meals	2,633		
Salary Reimbursements	101,143		
HB 258	5,505		
Proceeds from Sale of Vehicle	9,750		
Proceeds from the Sheriff's Sale	6,088		
Miscellaneous Reimbursement	<u>24,784</u>	935,557	
Interest Earned		<u>2,000</u>	
Total Receipts		8,671,985	

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
 KATHY H. WITT, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements

Payments to State:

Jury Meals	\$ 2,633	
------------	----------	--

Total Disbursements		\$ 2,633
---------------------	--	----------

Net Receipts		8,669,352
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Payments to State Treasurer:

75% Operating Fund *	\$ 7,650,864	
25% County Fund	1,018,488	8,669,352

Balance Due at Completion of Audit		\$ 0
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* Includes reimbursed expenses in the amount of \$4,624,469 for the audit period.
 See Note 1 of Notes to Financial Statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2014

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2014 (Restated)	\$ 599,894	\$ 0	\$ 599,894
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	7,650,864		7,650,864
Fees Paid to State - County Funds (25%)		1,018,488	1,018,488
Total Funds Available	8,250,758	1,018,488	9,269,246
<u>Disbursements</u>			
Lexington-Fayette Urban County Government	121,743	1,018,488	1,140,231
Personal Services-			
Official's Statutory Maximum	109,814		109,814
Official's Training Incentive	3,910		3,910
Deputies' Salaries	3,503,215		3,503,215
Overtime Gross	205,186		205,186
Employee Benefits-			
Employer's Share Social Security	266,913		266,913
Employer's Share Retirement	958,904		958,904
Employer's Share Health Insurance	616,735		616,735
Employer's Share Life Insurance	9,943		9,943
Employer's Share Dental Insurance	84,480		84,480
Workers' Compensation	14,716		14,716
Contracted Services-			
Consulting	47,312		47,312
Supplies and Materials-			
Office Supplies	102,793		102,793
Other Charges-			
Insurance - Property and Casualty	635,505		635,505
Equipment Maintenance and Repairs	173,802		173,802
Dues	4,443		4,443
Audit	31,563		31,563

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
<u>Disbursements (Continued)</u>			
Other Charges-(Continued)			
Analysis Fee - Property	\$ 15,000	\$	\$ 15,000
Ammunition	8,219		8,219
Employee Assistance Program	1,950		1,950
Imprest Cash	3,177		3,177
Postage	73,089		73,089
Radio Equipment	32,798		32,798
Tower Rental	7,200		7,200
Training/Travel	9,185		9,185
Recruiting	44,487		44,487
Telephone/pager	46,094		46,094
Uniforms	76,636		76,636
Rent	52,770		52,770
Software	20,810		20,810
Utilities	5,401		5,401
Parking	31,920		31,920
Victims of Crime Act	19,406		19,406
Waste Management	1,293		1,293
Internet	1,811		1,811
Investigate Management Program	41,444		41,444
Sex Offender Management Program	7,000		7,000
Auto Expenses-			
Gasoline	130,064		130,064
Maintenance and Repairs	32,159		32,159
Capital Outlay-			
Body Armor	17,892		17,892
Office Furniture	11,313		11,313
Mobile Forensic Solution	10,584		10,584
Radio Equipment	19,550		19,550
Radio Purchase	106,040		106,040
Computer Purchase	55,078		55,078

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
 KATHY H. WITT, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Capital Outlay-(Continued)			
Vehicle Equipment	\$ 71,862	\$	\$ 71,862
Cellular Phone Equipment	5,050		5,050
Vehicle Purchase	400,499		400,499
	<u>8,250,758</u>	<u>1,018,488</u>	<u>9,269,246</u>
Total Disbursements			
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balance - December 31, 2014			

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014
- Payroll disbursements incurred but not paid

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent for the first six months and 34.31 percent for the last six months.

The Sheriff's contribution for calendar year 2012 was \$992,809, calendar year 2013 was \$951,614, and calendar year 2014 was \$958,904.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
(Continued)

Note 2. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Fayette County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Fayette County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreements

A. Hardware

The Fayette County Sheriff's office was committed to a lease agreement with Custom Solutions, Inc. for the leasing of hardware. The agreement requires a monthly payment of \$1,350, beginning October 1, 2011, and is renewable annually. As of January 1, 2014, the remaining balance of this lease was \$12,150. Nine monthly payments of \$1,350 were made during 2014 to close out the agreement, leaving a \$0 balance. On October 1, 2014, the lease was renewed with a beginning balance of \$16,200. Three monthly payments of \$1,350 were made during 2014, leaving an ending balance of \$12,150.

B. Software

The Fayette County Sheriff's office was committed to a lease agreement with Custom Solutions, Inc. for the leasing of software. The agreement requires a monthly payment of \$900, beginning October 1, 2011, and is renewable annually. As of January 1, 2014, the remaining balance of this lease was \$8,100. Nine monthly payments of this amount were made during 2014 to close out the agreement, leaving a \$0 balance. On October 1, 2014, the lease was renewed with a beginning balance of \$10,800. Three monthly payments of \$900 were made during 2014, leaving an ending balance of \$8,100.

C. Property

On December 15, 2010, the Sheriff entered into a new four-year lease agreement with Fortune Business Centre, LLC, for real property located at 1700 Fortune Court, Lexington, KY. This agreement required a monthly payment of \$3,990 and was renewable for one additional consecutive four-year period. As of December 31, 2014, the remaining balance of this agreement was \$0.

D. Radio Tower

On May 1, 2010, the Sheriff entered into a five-year lease agreement with Clear Channel Vertical Real Estate for a radio tower. This agreement requires a monthly payment of \$600. The remaining balance of the agreement for the full lease was \$1,200 as of December 31, 2014.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
(Continued)

Note 5. Return of Fugitive Account

The Sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The Sheriff's office incurs expenses for these trips and requests reimbursement from the state. The reimbursements are then deposited into this bank account at which time the expenses are paid. The beginning balance was \$0. There were receipts of \$126,075 and disbursements of \$126,075, leaving a \$0 balance as of December 31, 2014.

Note 6. Asset Forfeiture Account

The Sheriff maintains a separate bank account for monies that are seized and forfeited to the Sheriff's office by court order. The beginning balance was \$1,834. During 2014, receipts totaled \$5 and disbursements totaled \$1,839, leaving a \$0 balance as of December 31, 2014.

Note 7. Sheriff's Sale Account

The Sheriff maintains a separate bank account for receipts and expenditures related to Sheriff Sale items. The Sheriff oversees these sales, which are court ordered. All receipts are used to pay the plaintiff in the case, along with any advertising and legal fees incurred. The beginning balance as of January 1, 2014 was \$3. There were receipts of \$6,088 and disbursements of \$6,091, leaving a \$0 balance as of December 31, 2014.

Note 8. Federal Grants

A. Taking Action For A Safer Tomorrow Grant

The Fayette County Sheriff's office was awarded a Victims of Crime Grant, entitled Taking Action For A Safer Tomorrow for the period of October 1, 2013 through September 30, 2014. During 2014, grant funds in the amount of \$38,185 were received for reimbursement of grant related expenditures.

B. Taking Action For A Safer Tomorrow Grant

The Fayette County Sheriff's office was awarded a Victims of Crime Grant, entitled Taking Action For A Safer Tomorrow for the period of October 1, 2014 through September 30, 2015. During 2014, grant funds in the amount of \$13,540 were received for reimbursement of grant related expenditures.

C. Fayette County Domestic Violence Intake Center

The Fayette County Sheriff's office was awarded a Violence Against Women Act grant, entitled Amanda's Center for Local Resources: A Domestic Violence Intake Center, for the period of January 1, 2014 through December 31, 2014. During 2014, grant funds in the amount of \$101,941 were received for reimbursement of grant related expenditures.

Note 9. Prior Period Adjustment

The beginning balance of the 25% Fund was restated by \$878,395 to correct liabilities that had not been taken into account in the prior years.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - regulatory basis of the Fayette Sheriff for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2015. The County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fayette County Sheriff's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fayette County Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report on Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike H", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

December 10, 2015

